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U.S. Department of Agriculture  
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Less than 3 million farms feed this nation of 220 million people.

Not many city dwellers know this.

Nor do many of them know that despite so few farms, agriculture is the nation's biggest business, that it provides millions of jobs and the biggest trade surplus of any segment of the economy, and that in the last 10 years its per person hour productivity gains have run three times the rate of increase in non-farm industries.

Let me point out a few more facts that don't seem to be widely recognized outside or inside agriculture.

Did you know that in the last three and a half years gross and net farm incomes have totaled more than for any prior comparable period?

Did you know that similar records have also been set in farm production, farm product consumption, farm assets and net worth?

Did you know that U.S. farm exports have set all-time records in each of the last three years and will do so again this year?

Well, it's all true.

But so is this true. There's some confusion down on the farm and the question is why?

If production, consumption, income, net worth and assets have broken all previous records for a comparable period, why are some farmers concerned?

If we're selling more farm products abroad than we have ever sold before--an estimated \$40 billion worth this fiscal year--why so much complaining about the partial suspension of grain sales to Russia?

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Remarks prepared for delivery by Secretary of Agriculture Bob Bergland at the Food and Fiber Preview luncheon of the State Fair of Texas, Dallas, Texas, October 2, 1980. [ ]



Well, maybe it's because this is one of those years divisible by four in which we tend to focus on faults and failings instead of successes. But that's not the only reason. Indeed, I don't think it's the biggest reason.

So I'd like to spend a little time with you trying to bring some perspective to these doubts and worries and paradoxes.

As I go about the country, I find that farmers are most concerned about two subjects: the partial embargo of grain sales to the Soviet Union, and the soaring costs of farm production.

I can understand this. I can sympathize with their anxieties and concerns. Export sales mean much more to American farmers today than they did just a few years ago. And production costs can make the difference between red ink and black ink in the net income column in the ledger.

Let me say a few words about the partial embargo to try to put this issue into perspective, to make a distinction between perception and reality.

It's been said over and over again that the embargo was a mistake, that it only hurt our farmers and didn't hurt the Soviets at all. It's been said so often that it's now taken by some as accepted fact.

Well, it's not.

With every passing day more and more evidence piles up that the embargo has hurt the Soviets and hurt them badly. That evidence is being provided by our own intelligence apparatus, by Western journalists reporting from the Soviet Union, and by official Soviet reports and statistics. The Soviets are hurting. They can't build up their herds as fast as they hoped. They can't produce the meat they promised their people. And they've got some mighty unhappy folks over there, unhappy enough to stage worker protests, strikes, slow downs--and almost all of them based on food shortages. What's more, their grain harvest this year won't be big enough to pull them out of the hole they dug for themselves when they marched into Afghanistan.

The suspension of exports was calculated to rebuke the Soviets for invading Afghanistan. It was the strongest action we could take short of military intervention. It was designed to preserve our basic Grain Supply Agreement and future opportunities for trade with the Soviet Union, but to protest the invasion of Afghanistan in the strongest possible terms.

Now it's true that the American farmer was called upon to make a sacrifice in order to rebuke this act of aggression to the Soviet. But we also called upon all American taxpayers to help farmers share the burden of the suspension.

Steps were taken to prevent farmers from bearing an unfair share of its cost. Loan prices for wheat and feed grains were increased, and other terms of the farmer-owned reserve were modified to give farmers additional incentives to hold wheat and feed grains. We worked with Congress to obtain authority to permit otherwise ineligible corn to be placed in the reserve. Between January 7, 1980 and August 7, 1980, about 1.4 million tons of wheat and 7.2 million tons of corn were placed in the reserve. During the same period, USDA purchased 4.2 million tons of wheat and 4.1 million tons of corn.

About 5.6 million tons of wheat and 11.3 million tons of corn were isolated from the market--amounts greater than those suspended from export.

At the same time, we increased efforts to expand exports to other customers. We now believe that we will export more grain in 1980 than we expected to export before the suspension.

Embargoes are always costly. Only in the gravest circumstances should an embargo be used as a policy tool. But if we want to continue to be thought of as champions of peace, we cannot do business as usual with those who practice military aggression.

Now let me turn to the troublesome matter of production costs. I think there are three things we have to do to deal with this problem.



One, we have to make sure that our price and income protection programs keep pace with cost increases. The new authority Congress gave last fall will help us to do this. Within the last year, we've made several changes in our programs to bring them more in line with production cost realities.

Two, we must leave no options unexplored in our search for ways to reduce our dependence on Middle East oil. The President's energy program encourages increased private research and development of alternative energy sources in facilities ranging from a big corporation to an individual farm where gasohol could be produced.

Three, we need to come to grips with the underlying forces in our society that feed the psychology of inflation. This will take time, and soul-searching, and a willingness to re-evaluate our priorities.

Indeed, in the years to come we may have to re-evaluate our priorities in a number of areas.

I was born and raised on a farm in northern Minnesota. I grew up in the 1930's during the Great Depression. Mother and dad had 9 cows, 40 sheep, a 100 chickens, 6 horses, geese, turkeys. They canned what they grew in their garden. They burned fuel that grew on the farm. Their kind of farming was what it was all across the United States in those days--highly diversified subsistence farming. Mother and dad had no money. They didn't depend on the Organization of Petroleum Exporting Countries for oil or the Canadians for fertilizer. They didn't depend on exports. They depended on themselves. And they took pride in their spirit and their resourcefulness.

Farm programs grew up during that period. The Agricultural Adjustment Act, Agricultural Conservation Program, the ever-normal granary and a whole host of basic farm laws were developed during the New Deal, and they have guided agricultural policy during most of my life.

In those years farming was largely an independent subsistence enterprise, so farm programs were designed to accommodate the times.

But then came a great change. Following World War II, we developed hybrid seed and farm machinery. We introduced irrigation. And yields suddenly doubled and tripled. By the time we reached the late 1940's, 50's, and the 60's, the major farm problem in the United States was, "What do we do with too much to eat." The stories that were written about burdensome surpluses sometimes seemed to suggest that having too much to eat was not a blessing but a nuisance.

I don't have to tell you that if we had never developed hybrid seed corn--if corn yields today were 50 bushels an acre instead of 110--we would have had a very different kind of farm problem during the 1950's, 60's and 70's.

But, in fact, the major thrust of the department's programs during those years was, "How do we contain this exploding technology?" There was no way of stopping the march toward higher-yielding varieties and better management techniques. Instead, the government wisely allowed that it would make no sense to squander our resources by growing crops for which there was no market.

I'm 52 years old and each day the world's population is expanding by 200,000. The world's population has doubled in my lifetime. And during these past 4 or 5 years, really since 1972 and 1973, we have been on the verge of change the likes of which we have never seen and change which many of us simply as yet have not been able to understand.

In 1973, oil producers of the world first embargoed their product and then doubled and redoubled prices. There was a sharp and sudden impact on an agricultural industry in the United States that always had assumed that oil would remain cheap and in plentiful supply.

That same year, the Soviet Union came into the markets of the United States and bought up the world's only reserve of wheat. After they bought it up the price tripled, and they made a tremendous windfall profit.



I was in Congress then and along with many others I was trying to understand the appropriate role of government. What should we do about the Soviets? What, if anything, should we do about OPEC? And so we went through a period of turmoil.

You know all the signs. I need not go back and talk about the grain embargoes that were imposed for what I consider superficial reasons. But actions like that were symptomatic of floundering in a time in which the government did not have a clear idea as to what was happening or what government could or should do about it. We heard political demands to "get government out of agriculture and off our back." We heard demands to get government out of the business of trying to deal with foreign governments and leaving it to chance. The results of that, of course, would be catastrophic.

I was in Congress when it was looking at what was happening with grain exports. There was short weighting, adulteration, thievery, taking good Texas wheat and Iowa corn to ports in the Great Lakes or in the Gulf of Mexico and stealing the wheat and corn and adding sawdust and sand. Ships were being short-weighted because some poor country would not have scales to weigh the grain when it was unloaded, and besides who would know the difference?

That's not good enough, not for the United States. Many of us understood that. We understood that there simply had to be more thought given to policy goals and impact.

Now, I'm proud to say, we at the Agriculture Department are examining carefully an appropriate federal role for the 1980's and beyond. What bothers many of us, especially those of us who grew up during the New Deal, is the growing realization that the old programs aren't the answer.



Times have changed. Farming has changed. Problems are different. And this caused a good deal of anxiety among farmers and farm families, rural citizens and leaders, farm organizations and others. In a very real sense, American agriculture is coming of age, struggling through the transition to maturity, facing up to resource restraints, girding up for the challenges ahead.

This administration is doing the same as it seeks to define a role for government that is tailored to the times.

Is this important? Yes.

Will it be simple? No.

We know, for example, that world food demands will double in the next 40 years. We know that the pressures upon the agricultural base of the United States will be like nothing we have ever seen before.

Consider this:

We now have 35 million acres of land devoted to the production of grain crops on which the erosion rates exceed 10 tons an acre a year. We've tended to think that ACP would be able to remedy the problem, and surely ACP has done a good job. About that there is little debate. That's why this administration is the first administration in memory to recommend money for ACP cost-sharing, because we understand it has a role to play.

But it was one thing to urge farmers to apply conservation practices when we had land in abundance, when we had as much as 63 million acres of crop land under control or diverted from production to one federal program or another. The world simply did not need our bounty at the time.

It was not hard to persuade people to take land out of production and put it to conserving use, because most farmers understood that it made no sense to grow a crop they couldn't sell.

Now we have an entirely different situation. Exports this year will break all previous records, bar none; 162 million tons of farm products going overseas--that's 25 million tons higher than any previous year and this, mind you, despite the partial suspension of grain sales to the Soviets.

What's more, as we look down the road we see continuing foreign demand for U.S. farm output, and so we have to look at soil erosion and soil conservation in the context of the kind of world we have now and will have in the future.

What do we do to help a family who has a farm plan--its own management plan--that they know and we know and everybody knows is an environmental disaster?

A few years ago with the unwise application of price controls on meat and livestock, the cattle industry went through a traumatic experience. A disaster, we could call it. Thousands of farmers were driven from the cattle business.

Soybeans were \$10 a bushel at that time, and so the temptation was to plow up the grass and plant soybeans. I have been on those farms and I've seen what's happening. Thirty-five million acres of that cropland is going down the drain and in time that land will be a barren wasteland.

How do we cope with this situation? How do we deal with the private rights of landowners compared with the long-term public interest that everybody knows must be protected? We are, after all, as the Scriptures, say, "strangers and guests."

Complicated and important? Yes. Simple. No.

How do we cope with an expanding demand overseas for that which is grown on the farms of United States and with an ever diminishing prime farmland base? What rights does a farmland owner have in that kind of a setting?



Should we simply say that this is an unfortunate condition beyond control as a nation and keep paving over millions of acres of the world's best land each year at a time when demand on a global scale is rising?

Is that an important question? Yes.

Is the answer simple? No.

I need not tell you about the devastating consequences of oil price increases. Oil prices have increased more in the 18 months of this past year and a half than in the previous 80 years that we have used oil.

We need to get on with the business of developing our own energy policies, programs and resources.

We are now deeply into the business of finding ways to produce our own energy from our own renewable resources. Gasohol, converting city garbage and sewage, animal waste, wood fiber to fuel--these are the kinds of things that will become a very important part of the agricultural industry in the United States and will make an enormous contribution to achieving energy independence. They will not be subject to the kind of economic pressures which OPEC can put on us.

At the same time, we are now looking at the next phase of U.S. agricultural involvement in this increasingly demanding world.

What can the United States do? What can the Department of Agriculture do to help put together those resources to match them up with the demands that the world is generating?

It's true that because of positive programs launched by this administration, we have broken all previous records in exports. But this is not good enough. We have piled up these record exports primarily because of current programs. The value of the farmer-owned grain reserve, an enormously important tool, is just now being discovered. I have talked with the grain merchants across the United States who told me about contracts they have landed with foreign buyers because we have the capacity to deliver. "You don't sell from an empty shelf," is the slogan they use.

I have traveled the world over, and I find that most of our customers overseas have one main question. It is: Can they count on us? Will the United States be a dependable supplier?

With the farmer-owned grain reserve program in place they are much more confident that they can count on our capacity to produce and deliver what they need.

And, with the new tough administration of the Federal Grain Inspection Act, they know that if they buy 15,000 tons of Number 2 wheat that is exactly what they will get. No more short weighting, no more sand and seashells. Quality control, of course, is another crucially important factor in persuading customers to buy from us rather than from some other exporting country.

In addition, we have doubled export credits. We have developed what is probably the finest market development strategy ever invented by government, teaching people how to build and run a better dairy or a better flour mill. The results speak for themselves in record tonnage of sales abroad.

But now we have to look beyond, because current records, good as they are, are simply not good enough.

We're now asking questions like: What can we do to add value? What can we do to generate a demand for pure-bred livestock, for improved seeds? What can we do to generate demand for processed cereal products instead of selling wheat or soybeans? What about the products of those crops?

We are constantly searching, always looking for new ways of dealing with this smaller, more independent, world.

We buy oil from the OPEC countries, and we buy fertilizer from Canada. We ship food products the world over. This means that we never have to be satisfied with the past. It means we always must be prepared to make changes in farm programs to accommodate the realities of today and tomorrow. We don't have to depend on massive cropland set-aside schemes. We can depend on the farmer-owned grain reserve as the mechanism to be used to adjust supplies with demand.



We all know that weather has more to do with the size of the grain crop in the United States than all of the government programs combined, and we tend to think of the best years that we can remember as the normal years.

We think of last year when we had all-time record yields in the five major crops--109 bushels of corn an acre--and we tend to think of that as the norm. But it was not. The last time records were broken for all five major crops was 22 years ago.

When we achieved these big yields last year many people thought that markets would be crushed, but the farmer-owned grain reserve absorbed the main force of those huge crops.

So we will continue to use the farmer-owned grain reserve program as the mechanism to iron out the kinks.

We do not intend to put a limit on how much grain can go into the reserve. The size of the reserve will be determined by yield and price. If price falls, farmers will have an interest in reserving grain for next year. If we have a poor crop at home or abroad and the price goes up, producers ought to be, and will be, permitted to cash in their reserve contracts. And there may be years in which the reserves are exhausted.

But we can't tell within 3 billion bushels from one year to the next what grain production will be. We can't tell within 3 million bales of cotton what the crop is going to be. If we ever have an exact balance between supply and demand it will be the result of just plain good luck, not the result of some ingenious planning on our part.

But while the farmer-owned grain reserve will remain the centerpiece of this administration's farm policy, we are now looking to a whole range of program and policy possibilities for consideration in drafting the 1981 farm bill.

Does the target price concept still make sense, or should we abandon that as a provision or incentive to participate in the set-aside should the need arise?

I am aware of the arguments made by those who say that if you get compliance with the target price concept and raise prices, the one who gains the most is the one who gave up nothing--the person who stayed out of the program. Such critics argue that we should go, instead, to some kind of paid diversion scheme should the need arise.

And if we get to that, should the paid diversion focus only on fragile lands? Should we concentrate on that land that is less productive and say to the grower who has prime land, where there is no erosion problem, that he or she should go ahead and plant and be entitled to program benefits? Should we examine in more detail long-term conservation contracting on fragile lands?

These are but a few of the questions which arise as the changing face of American agriculture confronts new realities and new opportunities.

All of the questions are difficult.

None of the answers are easy.

Many of the choices will be critical.

But I am confident that there is enough vigor, enough ingenuity, enough determination in our vaunted food and agriculture system to find the answers, to make the right choices, and to move on to an ever brighter, ever more rewarding future.

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